

CGN Mining (1164 HK)

Profit alert mainly related to one-off items; core profit remains intact

CGN Mining released a profit alert yesterday after market close. Net profit after tax in 2024 is expected to drop HK\$130-180mn YoY. The decline was due to (1) one-off payment of dividend withholding tax, which is well-expected by the market; (2) the change in fair value from share swaps for **Paladin Energy (PDN AU, Not Rated)**, which is non-operational. Excluding these items, pretax profit from continuing operations in 2024 is expected to increase by HK\$230-280mn YoY, according to the Company. We estimate this implies pretax profit growth of 41-50% YoY in 2024, which is slightly better than our forecast. CGN Mining will release the full year results on 20 Mar. We maintain our **BUY** rating with a target price of HK\$2.36, based on 3x NPV.

- Dividend withholding tax paid in 1H24.** CGN Mining reported a 2.8x YoY increase in income tax expenses in 1H24 (to HK\$210mn). This was due to a one-off dividend withholding tax payment (accrued for years) as mandated by recent changes of Kazakhstan's tax policies. We expect the effective tax rate will return to normal starting in 2025E.
- Fair value loss due to Paladin Energy's acquisition.** In Dec 2024, Paladin Energy announced that it acquired all shares of Fission Uranium, an associate of CGN Mining. Under this share swap acquisition, the 11.26% equity interest in Fission Uranium originally held by CGN Mining was fully converted to a 2.61% equity interest in Paladin Energy. Such conversion resulted in a loss from discontinued operations.
- Post-results analyst meeting.** CGN Mining will host analyst meeting & conference call on 21 Mar. Please contact us for details.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (HK\$ mn)	3,649	7,363	10,992	11,852	13,084
YoY growth (%)	(5.5)	101.8	49.3	7.8	10.4
Adjusted net profit (HK\$ mn)	514.9	497.1	443.4	675.4	1,099.6
YoY growth (%)	188.5	(3.5)	(10.8)	52.3	62.8
EPS (Adjusted) (HK\$ cents)	7.18	6.54	5.83	8.89	14.47
Consensus EPS (HK\$ cents)	na	na	7.18	10.96	15.58
P/E (x)	21.2	23.2	26.1	17.1	10.5
P/B (x)	3.5	3.0	2.7	2.3	1.9
Yield (%)	0.0	0.0	0.6	0.9	1.4
ROE (%)	18.7	13.8	10.8	14.6	20.2
Net gearing (%)	68.8	18.8	22.5	7.1	(2.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$2.36**
 Up/Downside **55.5%**
 Current Price **HK\$1.52**

China Materials

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Stock Data

Mkt Cap (HK\$ mn)	11,553.0
Avg 3 mths t/o (HK\$ mn)	72.3
52w High/Low (HK\$)	3.03/1.32
Total Issued Shares (mn)	7600.7

Source: FactSet

Shareholding Structure

China General Nuclear Power Corporation	56.9%
China Chengtong Holding Group	10.0%

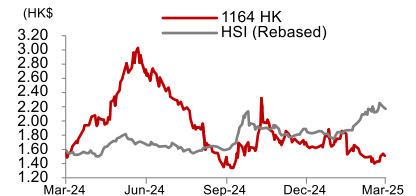
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.6%	-9.4%
3-mth	-7.9%	-21.6%
6-mth	9.4%	-19.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

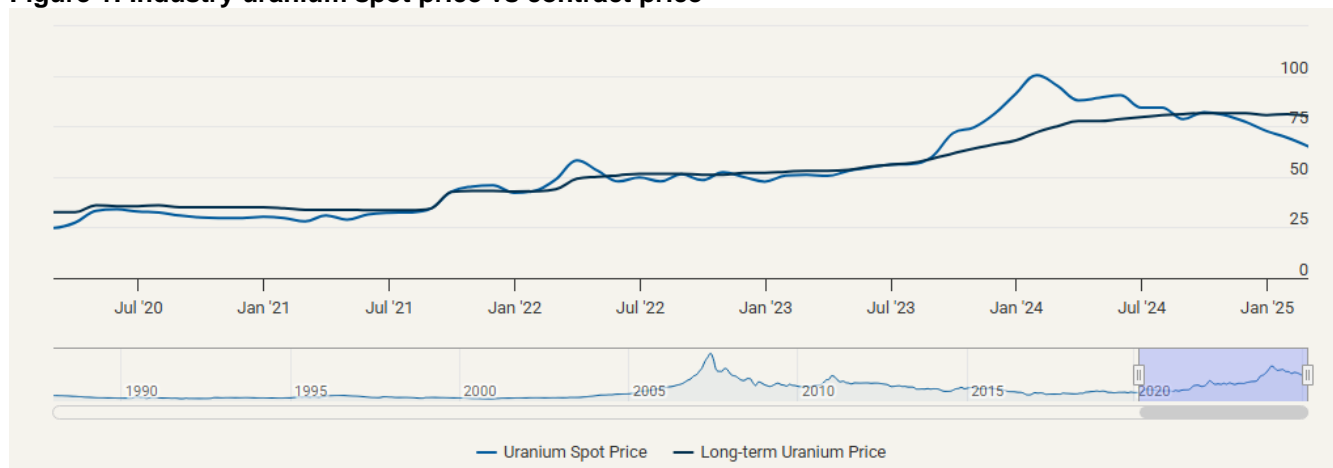
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Figure 1: Industry uranium spot price vs contract price



Source: Cameco, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (HK\$ mn)						
Revenue	3,860	3,649	7,363	10,992	11,852	13,084
Cost of goods sold	(3,771)	(3,501)	(7,231)	(11,097)	(12,004)	(12,848)
Gross profit	88	148	132	(105)	(151)	235
Selling expense	(14)	(13)	(19)	(11)	(12)	(13)
Admin expense	(42)	(49)	(52)	(55)	(59)	(65)
Others	(1)	(3)	(6)	(11)	(7)	(8)
Other income	8	16	12	20	18	20
Share of (losses)/profits of associates/JV	205	523	606	948	1,031	1,114
EBITDA	41	101	69	(161)	(212)	169
Depreciation	2	2	2	1	0	0
EBIT	40	100	67	(162)	(212)	169
Interest income	2	6	18	28	35	53
Interest expense	(50)	(62)	(131)	(87)	(87)	(86)
Net Interest income/(expense)	(48)	(56)	(114)	(60)	(52)	(34)
Pre-tax profit	197	567	559	727	768	1,250
Income tax	(18)	(52)	(62)	(283)	(92)	(150)
Minority interest	0	0	0	0	0	0
Net profit	178	515	497	443	675	1,100
Adjusted net profit	178	515	497	443	675	1,100
BALANCE SHEET						
YE 31 Dec (HK\$ mn)						
Current assets	1,933	2,447	2,214	3,644	3,142	4,991
Cash & equivalents	81	52	1,017	823	1,496	2,033
Account receivables	99	343	462	562	607	612
Inventories	1,743	2,048	697	2,221	1,002	2,307
Other current assets	9	2	38	38	38	38
Non-current assets	4,416	4,419	4,536	4,702	4,882	5,078
PP&E	1	1	1	1	1	0
Right-of-use assets	4	2	1	0	0	0
Investment in JVs & assos	4,353	4,369	4,495	4,661	4,842	5,038
Other non-current assets	58	46	39	39	39	39
Total assets	6,350	6,866	6,750	8,346	8,024	10,069
Current liabilities	3,754	2,064	1,391	2,543	1,613	2,659
Short-term borrowings	0	958	349	399	449	499
Account payables	1,103	1,044	999	2,102	1,121	2,117
Tax payable	9	11	12	12	12	12
Other current liabilities	2,640	50	30	30	30	30
Lease liabilities	1	2	1	1	1	1
Non-current liabilities	440	1,454	1,479	1,479	1,479	1,479
Long-term borrowings	388	0	0	0	0	0
Other non-current liabilities	52	1,454	1,479	1,479	1,479	1,479
Total liabilities	4,194	3,518	2,870	4,022	3,092	4,138
Total shareholders equity	2,155	3,348	3,880	4,324	4,932	5,931
Minority interest	0	0	0	0	0	0
Total equity and liabilities	6,350	6,866	6,750	8,346	8,024	10,069

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (HK\$ mn)						
Operating						
Profit before taxation	197	567	559	727	768	1,250
Depreciation & amortization	2	2	2	1	0	0
Tax paid	(19)	(15)	(35)	(283)	(92)	(150)
Change in working capital	233	24	989	(534)	188	(323)
Others	(155)	(465)	(476)	(878)	(972)	(1,073)
Net cash from operations	258	113	1,040	(967)	(109)	(296)
Investing						
Capital expenditure	(0)	(1)	(0)	0	0	0
Acquisition of subsidiaries/ investments	(3,374)	0	0	0	0	0
Others	38	419	499	810	885	971
Net cash from investing	(3,337)	419	499	810	885	971
Financing						
Dividend paid	(33)	0	0	0	(67)	(101)
Net borrowings	(667)	570	(609)	50	50	50
Proceeds from share issues	0	776	0	0	0	0
Others	2,681	(1,896)	27	(87)	(87)	(86)
Net cash from financing	1,981	(550)	(582)	(37)	(103)	(138)
Net change in cash						
Cash at the beginning of the year	0	81	52	1,017	823	1,496
Exchange difference	1,179	(11)	8	0	0	0
Cash at the end of the year	81	52	1,017	823	1,496	2,033
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	34.8%	(5.5%)	101.8%	49.3%	7.8%	10.4%
Gross profit	(56.5%)	67.7%	(10.9%)	na	na	na
EBITDA	(73.5%)	145.1%	(32.1%)	na	na	na
EBIT	(74.7%)	151.8%	(32.7%)	na	na	na
Net profit	15.0%	188.5%	(3.5%)	(10.8%)	52.3%	62.8%
Adj. net profit	15.0%	188.5%	(3.5%)	(10.8%)	52.3%	62.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	2.3%	4.1%	1.8%	(1.0%)	(1.3%)	1.8%
EBITDA margin	1.1%	2.8%	0.9%	(1.5%)	(1.8%)	1.3%
Adj. net profit margin	4.6%	14.1%	6.8%	4.0%	5.7%	8.4%
Return on equity (ROE)	16.6%	18.7%	13.8%	10.8%	14.6%	20.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.1	0.7	0.2	0.2	0.1	(0.0)
Current ratio (x)	0.5	1.2	1.6	1.4	1.9	1.9
Receivable turnover days	4.7	22.1	20.0	17.0	18.0	17.0
Payable turnover days	53.4	111.9	51.6	51.0	49.0	46.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	56.2	21.2	23.2	26.1	17.1	10.5
P/B	4.7	3.5	3.0	2.7	2.3	1.9
Div yield (%)	0.0	0.0	0.0	0.6	0.9	1.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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